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SUBJECT: ARGENTINA: DUE DILIGENCE ON THREE ACE AWARD NOMINEES

REF: STATE 78538

Summary

1. (SBU) Mission Buenos Aires is in the midst of a multi-year strategy to improve the image of the United States in Argentina to combat this country's high levels of anti-Americanism -- among the highest in the Western Hemisphere. A key component of post's public diplomacy outreach is to draw Argentines' attention to the many positive contributions made by private American volunteers, NGOs, academics, and others, particularly American businesses operating here. Growing public awareness of corporate social responsibility initiatives by many of the 500 American firms operating in Argentina has contributed to positive trends in recent poll data. Highlighting corporate social responsibility initiatives is a large part of Post's public diplomacy work, and as a result, companies are proud to work with the U.S. Embassy to highlight their necessary and valuable community work. It is no surprise that the 2008 survey by Argentina's Great Place to Work Institute featured United States-based firms in six of the top ten, as well as 21 of the top 50 best places to work in Argentina. Post hopes to be able to highlight one or more of the following three short-listed firms as an ACE Award recipient. End Summary.

Due Diligence on Three Nominees

2. (SBU) DuPont.

A) Could there possibly be any downside or embarrassment caused by the selection of your post's nominee?
On June 24, 2009, AP Newswire carried a story about three former workers at a DuPont nylon plant in Argentina who took legal action to claim for damages related to exposure to asbestos. The former employees suffer from asbestosis, and two have asbestos-related cancer. The claim contends that the same precautions that DuPont took to protect against asbestos exposure in the United States in the 1970s were not implemented in Argentina until the 1980s. See DuPont's response to this labor dispute in the response to Question 1E.

B) Do you have any information concerning job creation in the United States resulting from the operation of the company you nominated?
DuPont Argentina imports many of their supplies from DuPont's plants in the United States, accounting for US\$30-35 million of U.S. exports each year. These imports foster job creation in the United States, where currently more than 14,500 people are employed at DuPont's manufacturing plants.
C) What is your assessment of the company's trade and investment activities with regards to helping stimulate economic growth in the U.S. and increasing American exports (what is the U.S. content of

its products)?
See answer to B above.

D) What is the state of labor conditions in the company's facilities, and are workers unionized?

"Respect for People" is one of DuPont's core corporate values. DuPont is committed to developing and maintaining a work environment appropriate for professional and personal development. Three core elements for this goal are: work climate, individual development, and benefits and compensations. DuPont firmly believes that everyone must be treated with dignity, respect, and fairness. For that reason, the internal treatment is exactly the same as that given by each employee to those with whom she/he interacts: customers, suppliers and members of the community in general. The company has globally adopted corporate principles to value people, and implemented them to ensure that all employees are treated fairly and with respect and to promote an organizational culture to attract, develop, retain and value an exceptional labor force, based on cultural diversity.

DuPont's policy is not to discriminate against any individual on the basis of age, ethnicity, religion, gender, disability, national origin, ancestry, marital status or sexual orientation. Safety has always been part of DuPont's corporate culture. With the belief that all injuries, occupational diseases and environmental and safety incidents are preventable, the company always works focused on complying with strict standards in all transactions. In order to recognize this effort, every year DuPont grants the "Directorio" Award to those plants or offices that have not had any safety-related incident in one year.

DuPont acknowledges and adheres to the definition of the World Health Organization that states that "health is a state of complete physical, mental and social well-being." DuPont believes it takes an active relationship between the company and its employees to reach an optimum health condition. The company has taken several actions to guarantee its employees enjoy good health, including free flu vaccination, training sessions on health-related topics, and other initiatives, all aiming at becoming aware of the health risks to which they may be exposed.

At DuPont, some workers are unionized. The company respects their participation in union activities and works together with internal representatives. The relationship between union representatives and DuPont authorities is characterized by dialogue, mutual respect and collaboration. Today, some workers are unionized in the following organizations: AEC (commerce), UGARA (seeds), UATRE (rural employees and longshoreman), AOT (textile workers), and SETIA (textile employees).

E) Are you aware of any litigation pending in local courts involving the Company?

DuPont Argentina S.A. has a strong tradition of compliance with current legislation and core values. Nevertheless, the company has pending civil, tax, administrative, labor and penal/environmental disputes, which is unsurprising for a company of its size and scale of operations in Argentina. DuPont considers that it is important to highlight the following: DuPont Argentina S.A. had manufacturing operations in the city of Mercedes, in the province of Buenos Aires.

This plant was acquired by DuPont at the end of the 1960s. The claims mentioned below were initiated after the plant in Mercedes was closed in 2004.

Labor Dispute: In late June, the press published the existence of three judicial claims against DuPont headquarters. These claims have been supposedly raised by three DuPont Argentina's employees who worked at the previously mentioned DuPont's plant in Mercedes over their exposure to asbestos, which was being used at DuPont's plant as temperature insulator. DuPont Argentina notes that they have complied with all regulations related to safety and hygiene during the company's operations in the above-mentioned industrial plant.

Penal/Environmental Dispute: At the same time that DuPont's plant was being closed in Mercedes, the company was anonymously accused of pollution. Since then, a prosecutor began an investigation, and DuPont Argentina has provided all the required documentation related to the charges. Likewise, DuPont notes that during the time its plant was operating in Mercedes, the company complied with all

environmental legislation, including legal authorizations to operate and close, and all other administrative documentation that was presented in a timely manner to the corresponding government officials.

F) The Chief of Mission and others involved in the nominating process do not hold shares of stock or have other financial interests in DuPont.

G) Is DuPont active in the province or only in Buenos Aires and/or urban areas?

Currently, DuPont operates in Argentina through Du Pont Argentina S.A. and Pioneer Argentina S.R.L. DuPont also holds a 72 percent interest in the joint venture The Solae Company, a company formed together with the Bunge Group for the food ingredient market. DuPont's team is formed by 680 people, assigned to the plants and offices it has in the City of Buenos Aires; in Berazategui, Martinez and Salto, in the Province of Buenos Aires; and in Rosario and Casilda, in the Province of Santa Fe. Furthermore, through the agricultural business, DuPont is present in several Argentine provinces such as Santa Fe, Cordoba, Salta, Chaco, Entre Rios, La Pampa and Rio Negro.

H) In post's opinion, which nominee, DuPont or Staples/Officenet has made the greatest impact on Argentine society?

Both nominees are making a significant positive impact on Argentine society. DuPont has a longer history of operations in Argentina and therefore has an impressive breadth and depth of activities. While operating in Argentina for only several years, the contributions that Staples/Officenet has made, and the press they have received as a result, also make that company's nomination very strong, without any obvious negatives. A June 24, 2009 news report about a legal action being taken by former DuPont employees seeking damages for asbestos-related injuries (see letter E above) provides some concern about exposing the Secretary and Department to potential negative press if the cases remain unresolved.

I) Is there additional information which would clarify the contributions of DuPont?

DuPont wants to highlight their contributions to corporate excellence in the areas of Ethics and Respect. Because ethics is one of its corporate values, DuPont runs an annual ethics survey, which the company's employees must complete stating that they comply with its ethics policies and Business Conduct Guide. With the purpose of ensuring the development of all employees in a respectful environment, DuPont created "Expect Respect," a theoretical/practical training on respectful treatment of others. Through this program, employees are trained on the importance of identifying disrespectful behaviors and on measures that may be taken to revert or report them. During the training, the participants receive a work guide that includes the company's policies on discrimination and harassment, the definitions and examples of disrespectful behaviors, as well as possible solutions to detect and stop such behaviors. There are also role-playing activities which allow participants to represent specific inappropriate behaviors and the corrective measures to be implemented.

13. (SBU) Staples/Officenet.

A) Could there possibly be any downside or embarrassment caused by the selection of your post's nominee?

Post is not aware of any potential downside or embarrassment in nominating Staples, a publicly listed company with high ethical standards which are shared 100% by Argentine partner Officenet (including formal practices such as FCPA). As a reference, Staples ranks among Institutional Investor's Top Shareholder Friendly Companies for Retailing and number 30 on CRO Magazine's 100 Best Corporate Citizens in 2008.

Staples/Officenet represents the United States in a positive, ethical fashion, and is highly regarded by Argentines. Worker morale is high, and the company consistently operates in an ethical manner. For example, Staples Argentina has implemented the Staples United States Code of Ethics, which has assisted the company in making significant achievements in terms of handling in a constructive fashion any and all unethical behaviors, and thus boosting Argentine human capital.

B) Do you have any information concerning job creation in the United

States resulting from the operation of the company you nominated? Staples features a team of four professionals supporting high-growth markets, in which there is one Project Manager (PM) based in Framingham, Massachusetts, who specifically supports Staples/Officenet's Argentine market development efforts. For example, Staples Retail Team in the United States developed the layout of Staples/Officenet's stores in Argentina.

From a capital market perspective, under the current U.S. stock market climate, it's worth noting that Staples' market diversification helps reduce the variance (risk) of U.S. citizens' investments and savings. In fact, while many U.S. companies' market value declined, Staples' market value has maintained moderate growth in the last year.

Undoubtedly, Staples' international market diversification provides further sustainability to its operation in the U.S. domestic market.

At a time when other U.S. chains are closing stores throughout the United States, Staples is expanding its business both domestically and overseas, thereby supporting its domestic workforce.

C) What is your assessment of the company's trade and investment activities with regards to helping stimulate economic growth in the U.S. and increasing American exports (what is the U.S. content of its products)?

Staples Corporation is a United States-based \$16 billion market cap corporation started in 1986 in Brighton, MA. Staples' brand equity in the United States grows with the introduction and development of its brand through other operations worldwide. Staples, as stated in the "Staples for Success" book, written by founder Tom Stemberg, was created as "...a chain of stores dedicated to selling the widest possible range of office supplies and business machines - at the lowest possible price."

During 2008, Staples Argentina imported over US\$85,000 worth of United States manufactured products. Globally, Staples, Inc. purchased US\$4.4 million from American companies for its worldwide operations in 2008.

D) What is the state of labor conditions in the company's facilities and are workers unionized?

Half of Staples/Officenet's workforce is unionized, under the Commercial Employees' Union (Sindicato de Empleados de Comercio - SEC), a duly registered union. Reportedly, some of Staples/Officenet best practices, such as their fluid communication and proactive negotiations with the union, are used as benchmarks of exemplary corporate excellence by the union.

In 2007, the "Great Place to Work Institute" ranked Staples/Officenet number 30 among the top 50 best companies for which to work in Argentina. Top scores in the survey were related to fairness (non-discrimination) and employee pride. The latter distinction is directly related to Staples/Officenet's social responsibility programs. Due to the huge success of these programs, Mr. Leo Piccioli, Staples/Officenet's General Manager for Argentina, was invited last year to deliver a presentation on Corporate Social Responsibility to more than 4000 associates at the opening ceremony for Staples worldwide annual managers meeting in Las Vegas. Mr. Piccioli shared the stage with Staples's CEO, CFO and COO, and figures such as Colin Powell, Joss Stone, and John Cougar.

E) Are you aware of any litigation pending in local courts involving the Company?

Officenet has filed suits against some local companies to recover significant outstanding debt, after having exhausted all means for collection to avoid legal recourse. None of the legal proceedings imply or reflect negligence, unfair treatment, or illegal conduct by Staples/Officenet's operation in Argentina.

F) The Chief of Mission and others involved in the nominating process do not hold shares of stock or have other financial interests in Staples/Officenet.

G) In post's opinion, which nominee, DuPont or Staples/Officenet has made the greatest impact on Argentine society?

Both nominees are making a significant positive impact on Argentine society. DuPont has a longer history of operations in Argentina and therefore has an impressive breadth and depth of activities. While operating in Argentina for only several years, the contributions that Staples/Officenet have made, and the press they have received as a result, also makes that company's nomination very strong,

without any obvious negatives. A June 24, 2009 news report about a legal action being taken by former DuPont employees seeking damages for asbestos-related injuries (see paragraph 2 E above) provides some concern about exposing the Secretary and Department to potential negative press if the cases remain unresolved.

H) Is there additional information which would clarify the contributions of Staples/Officenet?

It is estimated that Staples/Officenet's contributions to the over 70 NGOs that the company supports in Argentina benefit over one million people.

The Staples/Officenet business model, featured in two Harvard Business School case studies, is also having a strong social impact among business students in Argentina. It is estimated that in Argentina alone over 2,000 students a year use the Staples/Officenet case study at local Universities. As stated by Officenet's co-founder, Santiago Bilinkis: "Serial entrepreneurship is the only way to change (Argentina)."

In a recent TV interview, Buenos Aires City Mayor Mauricio Macri stated that thanks to Staples, the City Government was able to cut down on office supplies expenditures from ARP\$50 million (US\$13 million) per year to approximately ARP\$12 million (US\$3 million) per year. Even more impressive to Mayor Macri was an increase in speed and customer service for the delivery of supplies to the City Government. Thanks to Staples/Officenet's services, the City Government was able to use the US\$10 million in savings for high-priority City programs.

14. (SBU) Toms Shoes.

A) Could there possibly be any downside or embarrassment caused by the selection of Argentina's nominee?

Post is not aware of any potential downside or embarrassment in nominating Toms Shoes (TOMS), which has won multiple awards in the U.S., and has been featured positively in many press articles around the globe, including The Los Angeles Times, Time Magazine, People Magazine, and The Sunday Times (United Kingdom). While TOMS knows that its margins are likely lower than most other shoe manufacturers, providing thousands of needy children and adults with a basic need such as shoes proves to be well worth it, benefitting not only the heart but the bottom line. This business model and practice quickly demonstrated its value, as it resulted in increased publicity and sales, an outcome that makes up for the decreased margin.

In October 2007, TOMS received the People's Design Award, as determined by an online popularity contest run by the Cooper-Hewitt National Design Museum, and has been noted as a successful model of social entrepreneurship. Also in 2007, Blake Mycoskie, Founder and Main Shoe Giver, was invited to speak along with President Bill Clinton at the Opening Plenary of the Second Annual CGI U Meeting. This meeting in Austin, Texas hosted over 1300 students and activists from around the world. In February 2009, Mycoskie also spoke at the TED conference (Technology, Entertainment, Design), a meeting of peers that included people such as Bill Gates and JJ Abrams. On March 6, 2009, Blake also attended a meeting with senior officials in the Obama Administration and other business leaders to present viable solutions and ideas regarding U.S. economic policy to support small businesses in the U.S.

More recently, Mycoskie was featured along with the owner of Frontera Foods, Rick Bayless, in a CNBC segment titled "The Entrepreneurs." On April 8, 2009, an AT&T commercial aired during the Masters Golf Tournament featuring TOMS Shoes. It was the first time the AT&T mobile unit has featured a real company during a commercial.

B) Do you have any information concerning job creation in the United States resulting from the operation of the company in Argentina?

Toms Shoes was created by the two co-founders, one American and one Argentine. The 50 people working in the United States for Toms Shoes is a result of this American-Argentine partnership.

C) What is your assessment of the company's trade and investment activities with regards to helping stimulate economic growth in the U.S. and increasing American exports (what is the U.S. content of

its products)?

TOMS products are not manufactured in the United States. However much of the design and product management is done in the United States.

D) What is the state of labor conditions in the company's facilities and are workers unionized in Argentina?

TOMS does not produce directly, but contracts production in factories in China, Ethiopia, and Argentina. In all cases, TOMS ensures that all their factories operate using sound labor conditions where they maintain proper conditions for workers and pay fair wages and follow local labor standards. A code of conduct is signed by all factories. TOMS' production staff routinely visits these factories to make sure they are maintaining these working standards. TOMS also contracts third parties to audit the factories at least once a year to ensure they adhere to proper labor regulations. TOMS' three employees in Argentina are unionized, under the Argentine Commerce Union (Secoa).

E) Are you aware of any litigation pending in local courts involving the Company?

We are not aware of any litigation pending in local courts.

F) The Chief of Mission and others involved in the nominating process do not hold shares of stock or have other financial interests in Toms Shoes.

Comment

15. (SBU) Embassy Buenos Aires is proud to provide this additional due diligence information on three of our Award for Corporate Excellence (ACE) nominees. These companies embody the spirit of corporate social responsibility and are setting great examples for others. They are making positive contributions to Argentine society, and in the process they are improving the image of the United States in Argentina. With the support of the Committee, post will be able to use ACE award finalists as another tool in our public diplomacy efforts to further reduce the strong anti-American sentiment in Argentina.

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